



DELAINÉ EASTIN
State Superintendent of Public Instruction

**CALIFORNIA
DEPARTMENT
OF
EDUCATION**

721 Capitol Mall

P. O. Box 944272

Sacramento, CA

94244-2720

March 23, 2001

To: County and District Superintendents
County and District Chief Business Officials
Charter School Administrators

From: Janet Sterling, Director
School Fiscal Services Division

Subject: Criteria and Standards Revisions for Budgets and Interim Reports

As you know, the criteria and standards are an integral part of developing, reviewing and assessing school district and county office of education budgets and interim reports. Consequently, they have been the subject of several review efforts over the last two years.

In 1999, because the criteria and standards had not been revised for almost 10 years, we found it necessary to amend them to incorporate statutory changes that had occurred over the years. As part of that process, we also took time to reassess their usefulness. With the help of an advisory committee we focused our efforts on the criteria and standards for school districts, with the intent to reassess those for county offices of education at a later date. However, some changes to the county office of education criteria and standards were made to be consistent with the revised school district criteria and standards. These revisions were approved by the State Board of Education (SBE) in late 1999, and they took effect in the 2000-01 fiscal year.

In 2000, we again convened an advisory committee which included representation from school districts, county offices of education, various interested educational groups, and several state agencies. As intended, this committee worked cooperatively to reassess the usefulness of the county office criteria and standards and to revisit previously unresolved issues from 1999. In addition, the committee discussed some areas where further changes were needed to improve the overall usefulness of both the school district and county office criteria and standards. The SBE recently adopted the revised criteria and standards, which will be effective beginning with the 2001-2002 fiscal year.

A summary of the recent SBE adopted changes is enclosed. Also enclosed are the actual criteria and standards for both school districts and county offices of education. We encourage you to

review them and keep them available as a reference for future use. Please note that these changes will be incorporated into the next release of the state's financial reporting software and into Title 5 of the *California Code of Regulations*.

If you have any questions or concerns regarding the revisions to the criteria and standards, please contact our Office of Financial Accountability and Information Services at (916) 322-1770.

CB:BFe:y2001-0301

Enclosures

Summary of Changes to the Criteria and Standards

Revisions applicable to both county offices of education and school districts:

- At budget period, a multiyear projection for the County School Service or General Fund will be required. Previously, a multiyear projection was only required for the interim period.
- County offices of education and school districts serving as the Special Education Local Plan Area (SELPA) Administrative Unit (AU) may elect to exclude the distribution of revenues passed through to member districts from the reserve calculation. Previously, a SELPA AU was required to count all special education expenditures in its reserve calculations.

(We recommend that those agencies choosing to exclude pass-through funds consider the potential liability, pursuant to *Education Code* Section 56836.04, should such funds allocated to their SELPA members be found to have been expended for unauthorized purposes.)

- Declining fund balances in the County School Service or General Fund for two consecutive fiscal years must be explained. Previously, a written explanation was required for declines in three consecutive fiscal years.
- Any known or contingent liabilities from financial or program audits, state compliance reviews, litigation, etc., that may have an impact on the budget must be identified. Previously, no such disclosure was required.
- Cash balance projections for the interim period were changed to clarify that only current year projections are needed. The fund balance projection remains the same and must include projections for the current and two subsequent fiscal years. Previously, there was confusion regarding whether subsequent years' cash flow projections were required.

Revisions applicable to county offices of education only:

- The county superintendent of schools *may* provide written comments to the district's governing board and superintendent on its review of the district's salary settlement cost analysis and its impact on the district's operating budget. Previously, a written comment by the county superintendent of schools was required.
- County office of education standards for the deficit spending and reserve criteria will be based on budget size (expenditures, transfers out, and other uses), adjusted annually for inflation. Previously, these standards were based on county class size.

Summary of Changes to the Criteria and Standards (continued)

- County offices of education may now elect to designate funds from the juvenile court/county community schools and the regional occupational centers/programs as reserves. Funds designated as reserves for this purpose are limited to a certain percentage and are restricted for use only in those programs. Previously, reserves were required to be funded only from unrestricted sources.
- The average daily attendance (ADA) standard for county offices of education was revised to show the ADA ranges for the respective county class sizes listed in *Education Code* Section 1205. Previously, the ADA ranges by county class size were not identified in the criteria and standards.
- Three 1st tier criteria (revenue limit, salaries and benefits, and fund balance) have been moved to the supplemental section in the 1st tier to be consistent with the school district criteria and standards.

California Department of Education
School Fiscal Services Division
March 23, 2001